

Message Text

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PAGE 01 JIDDA 04928 030941Z
ACTION COME-00

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LIMITED OFFICIAL USE JIDDA 4928

E.O. 11652: NA
TAGS: BENC, SA, KU
SUBJECT: GENERAL ELECTRIC INTEREST IN SWCC DESALINATION PROGRAMS
AND DOHA WEST POWER PROJECT

REF: STATE 165298

1. GENERAL ELECTRIC'S PROBLEMS, AS WELL AS THOSE OF OTHER
U.S. AND ALL FOREIGN FIRMS, IN GETTING SWCC CONTRACTS,
ESPECIALLY WITH REGARD TO OPEN-ENDED LIABILITY, STEM FROM THE
SAUDI GOVERNMENT'S UNFORTUNATE EXPERIENCE WITH THE JIDDA
PHASE 1 DEISAL PLANT. THIS PLANT, COMPLETED IN 1970, BEGAN
TO EXPERIENCE SERIOUS BREAKDOWNS IN 1972. U.S. FIRMS INVOLVED
IN ITS CONSTRUCTION WERE AQUA CHEM, BURNS AND ROE AND
CONTINENTAL ENGINEERING. THE U.S. DEPARTMENT OF INTERIOR'S
OFFICE OF SALINE WATER IN 1973 SENT AN INVESTIGATING TEAM TO
JIDDA WHICH FOUND A MULTITUDE OF DEFECTS SUCH AS INCORRECTLY
INSTALLED PIPES, PUMPS NOT TO SPECIFICATIONS, DESIGN ERRORS,
ETC. WHICH COST \$2 MILLION TO CORRECT. OSW WHICH SUPERVISED
THE PROJECT COULD ONLY COLLECT \$300,000 FROM CONTINENTAL
ENGINEERING, WHICH WAS RETURNED TO SWCC. IN 1975
THE MINISTRY OF FINANCE CONDUCTED AN INVESTIGATION
TO DETERMINE WHO WAS AT FAULT. THIS RESULTED IN 1976
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NOT ONLY TO BAN OF THE ABOVE COMPANIES FROM FURTHER
WORK IN THE KINGDOM BUT ALSO THE OPEN-ENDED
LIABILITY REQUIREMENTS IN SWCC CONTRACTS. THE THEN
CHAIRMAN OF THE MIN FIN INVESTIGATING GROUP IS NOW GOVERNOR
GENERAL OF SWCC, ABDUL AZIZ AL RASHID.

2. RECENT SUCCESSFUL BIDDERS ON SWCC PROJECTS HAVE

ACCEPTED THE OPEN-ENDED TERMS. BURNS & ROE ATTEMPTS
TO GET OFF THE SWCC BANNED LIST HAVE PROVEN UNAVAILING.
THE ATTITUDE OF THE NEW GOVERNOR OF SWCC, WHO WAS THE
CHIEF OPPONENT OF THE OPEN-ENDED LIABILITY RECOM-
MENDATIONS NOW BEING APPLIED LEADS US TO BELIEVE
THAT CHANGING SWCC VIEWS AT THIS TIME WILL BE A
FRUITLESS EFFORT. AS LONG AS COMPANIES OTHER THAN
GE ARE WILLING TO BID ON THESE TERMS, SWCC WE BELEIVE
WILL NOT BE AMENABLE TO ANY RELAXATION.

3. WE ENCOURAGE GE AND OTHER U.S. FIRMS TO PARTICIPATE
IN TENDERS SO THAT WE CAN HAVE SOME SOLID BASIS
FOR AN APPROACH TO SWCC IF GE BIDS ARE OTHERWISE ATTRACTIVE.
WEST

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